

Township of Salem
Allegan County, Michigan
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
Year ended June 30, 2008

CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	3
BASIC FINANCIAL STATEMENTS	
Government-wide financial statements:	
Statement of net assets	4
Statement of activities	5
Fund financial statements:	
Balance sheet - governmental funds	6
Statement of revenues, expenditures, and changes in fund balances - governmental funds	7
Notes to financial statements	8 - 13
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary comparison schedules:	
General Fund	14 - 15
Road Fund	16
Fire Fund	17
Library Fund	18

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Township of Salem, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Township of Salem, Michigan, as of June 30, 2008, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Township of Salem, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Salem, Michigan, as of June 30, 2008, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Township of Salem, Michigan, has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

Siegfried Crandall P.C.

January 7, 2009

BASIC FINANCIAL STATEMENTS

Township of Salem
STATEMENT OF NET ASSETS
June 30, 2008

	<u>Governmental activities</u>
ASSETS	
Current assets:	
Cash	\$ 1,276,224
Receivables, net	102,804
Prepaid expenses	<u>12,426</u>
Total current assets	<u>1,391,454</u>
Noncurrent assets:	
Capital assets not being depreciated - land	95,800
Capital assets, net of accumulated depreciation	<u>3,086,682</u>
Total noncurrent assets	<u>3,182,482</u>
Total assets	<u>4,573,936</u>
LIABILITIES	
Current liabilities - payables	<u>120,867</u>
NET ASSETS	
Invested in capital assets	3,182,482
Restricted for public works	264,558
Unrestricted, unallocated	<u>1,006,029</u>
Total net assets	<u><u>\$ 4,453,069</u></u>

See notes to financial statements

Township of Salem
STATEMENT OF ACTIVITIES
Year ended June 30, 2008

	<i>Program revenues</i>				<i>Net (expenses) revenues and changes in net assets</i>
	<i>Expenses</i>	<i>Charges for services</i>	<i>Operating grants and contributions</i>	<i>Capital grants and contributions</i>	<i>Governmental activities</i>
Functions /Programs:					
Governmental activities:					
Legislative	\$ 6,094	\$ -	\$ -	\$ -	\$ (6,094)
General government	202,462	72,729	-	-	(129,733)
Public safety	268,778	97,277	775	35,055	(135,671)
Public works	172,427	15,794	5,635	-	(150,998)
Health and welfare	8,000	-	-	-	(8,000)
Community and economic development	18,619	4,929	-	-	(13,690)
Recreation and culture	125,148	29,107	2,276	-	(93,765)
Total governmental activities	<u>\$ 801,528</u>	<u>\$ 219,836</u>	<u>\$ 8,686</u>	<u>\$ 35,055</u>	<u>(537,951)</u>
General revenues:					
Taxes					853,996
Franchise fees					10,917
State grants					261,303
Investment income					49,338
Other					<u>5,245</u>
Total general revenues					<u>1,180,799</u>
Change in net assets					<u>642,848</u>
Net assets - beginning					<u>3,810,221</u>
Net assets - ending					<u>\$ 4,453,069</u>

See notes to financial statements

Township of Salem
BALANCE SHEET - governmental funds
June 30, 2008

	<u>General</u>	<u>Road</u>	<u>Fire</u>	<u>Library</u>	<u>Total</u>
ASSETS					
Cash	\$ 214,151	\$ 641,476	\$ 245,351	\$ 175,246	\$ 1,276,224
Receivables	97,825	-	2,380	2,599	102,804
Prepaid expenses	12,426	-	-	-	12,426
Total assets	<u>\$ 324,402</u>	<u>\$ 641,476</u>	<u>\$ 247,731</u>	<u>\$ 177,845</u>	<u>\$ 1,391,454</u>
LIABILITIES AND FUND BALANCES					
Liabilities - payables	\$ 51,147	\$ 69,720	\$ -	\$ -	\$ 120,867
Fund balances - unrestricted, undesignated	<u>273,255</u>	<u>571,756</u>	<u>247,731</u>	<u>177,845</u>	<u>1,270,587</u>
Total liabilities and fund balances	<u>\$ 324,402</u>	<u>\$ 641,476</u>	<u>\$ 247,731</u>	<u>\$ 177,845</u>	<u>\$ 1,391,454</u>
Total fund balances - total governmental funds					\$ 1,270,587
Amounts reported for <i>governmental activities</i> in the statement of net assets (page 4) are different because:					
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.					<u>3,182,482</u>
Net assets of governmental funds					<u>\$ 4,453,069</u>

See notes to financial statements

Township of Salem

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - governmental funds**

Year ended June 30, 2008

	<u>General</u>	<u>Road</u>	<u>Fire</u>	<u>Library</u>	<u>Total</u>
REVENUES					
Taxes	\$ 154,580	\$ 617,633	\$ 81,369	\$ 43,330	\$ 896,912
Licenses and permits	86,105	-	-	-	86,105
Federal grants	-	-	35,055	-	35,055
State grants	267,713	-	-	2,276	269,989
Charges for services	23,275	-	-	4,231	27,506
Fines and forfeitures	-	-	-	24,876	24,876
Interest and rentals	29,821	16,891	8,964	5,592	61,268
Other	39,904	-	-	2,761	42,665
Total revenues	<u>601,398</u>	<u>634,524</u>	<u>125,388</u>	<u>83,066</u>	<u>1,444,376</u>
EXPENDITURES					
Legislative	6,094	-	-	-	6,094
General government	167,602	-	-	-	167,602
Public safety	202,781	-	8,047	-	210,828
Public works	49,440	580,030	-	-	629,470
Health and welfare	8,000	-	-	-	8,000
Community and economic development	18,619	-	-	-	18,619
Recreation and culture	74,745	-	-	39,684	114,429
Capital outlay	15,357	-	48,925	-	64,282
Total expenditures	<u>542,638</u>	<u>580,030</u>	<u>56,972</u>	<u>39,684</u>	<u>1,219,324</u>
NET CHANGE IN FUND BALANCES	58,760	54,494	68,416	43,382	225,052
FUND BALANCES - BEGINNING	<u>214,495</u>	<u>517,262</u>	<u>179,315</u>	<u>134,463</u>	<u>1,045,535</u>
FUND BALANCES - ENDING	<u>\$ 273,255</u>	<u>\$ 571,756</u>	<u>\$ 247,731</u>	<u>\$ 177,845</u>	<u>\$ 1,270,587</u>

Net change in fund balances - total governmental funds \$ 225,052

Amounts reported for *governmental activities* in the statement of activities (page 5) are different because:

Capital assets:	
Assets acquired	636,434
Provision for depreciation	<u>(218,638)</u>

Change in net assets of *governmental activities* \$ 642,848

See notes to financial statements

Township of Salem
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Salem, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

a) Reporting entity:

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Township. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The Township has determined that no outside agency meets the above criteria and, therefore, no outside agency has been included as a blended or discretely-presented component unit in the Township's financial statements.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. The effect of inter-fund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Township of Salem
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Road Fund accounts for the construction and maintenance of Township roads. Revenues are primarily derived from property taxes.

The Fire Fund accounts for the fire department operations. Revenues are primarily derived from property taxes.

The Library Fund accounts for the activities of the Township's public library. Revenues are primarily derived from property taxes.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow subsequent private-sector standards.

Amounts reported as program revenue include charges to customers or applicants for goods, services, or privileges provided. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and interest income.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

d) Assets, liabilities, and net assets or equity:

- i) Bank deposits* - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.
- ii) Receivables and payables* - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds."

All receivables are considered to be fully collectible.

Township of Salem
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity (continued):

iii) Prepaid items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

iv) Capital assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., shared road costs and similar items), are reported in the government-wide financial statements. Capital assets are defined by the Township as assets, other than infrastructure, with an initial individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

The Township has the option of accounting for infrastructure assets retroactively to June 30, 1980, or prospectively beginning July 1, 2003. The Township has elected to account for infrastructure assets on the prospective basis. The Township includes shared road costs in its infrastructure. These costs represent the Township's portion of public road improvements for roads within the Township, which are owned by the County of Allegan.

Capital assets are depreciated using the straight-line method over the following useful lives:

Land improvements	40 years
Buildings and improvements	40 years
Equipment	5 - 10 years
Vehicles	5 - 20 years
Shared road costs	20 years

v) Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

vi) Property tax revenue recognition - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the function level. Budget appropriations are considered to be spent once the goods are delivered or the services rendered. All annual appropriations lapse at the end of the fiscal year.

Township of Salem
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued):

The following schedule sets forth significant budget variations:

<u>Fund</u>	<u>Function</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance</u>
General	Public safety	\$ 200,315	\$ 202,781	\$ (2,466)
Road	Public works	563,039	580,030	(16,991)
Fire	Public safety	6,000	8,047	(2,047)
	Capital outlay	20,000	48,925	(28,925)

NOTE 3 - DEPOSITS:

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Township's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance. At June 30, 2008, \$1,082,829 of the Township's bank balances of \$1,282,829 was exposed to custodial credit risk because it was uninsured.

The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

NOTE 4 - RECEIVABLES:

Receivables as of year end for the government's individual major funds are as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Interest</u>	<u>Inter- governmental</u>	<u>Total</u>
General	\$ 10,086	\$ -	\$ 87,739	\$ 97,825
Fire	-	2,380	-	2,380
Library	<u>1,455</u>	<u>-</u>	<u>1,144</u>	<u>2,599</u>
Totals	<u>\$ 11,541</u>	<u>\$ 2,380</u>	<u>\$ 88,883</u>	<u>\$ 102,804</u>

All receivables are due within one year.

Township of Salem
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2008, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated - land	\$ 95,800	\$ -	\$ -	\$ 95,800
Capital assets being depreciated:				
Land improvements	98,034	-	-	98,034
Buildings and improvements	962,615	-	-	962,615
Equipment	386,707	57,022	(8,000)	435,729
Vehicles	607,625	-	-	607,625
Roads	<u>1,721,769</u>	<u>579,412</u>	<u>-</u>	<u>2,301,181</u>
Subtotal	<u>3,776,750</u>	<u>636,434</u>	<u>(8,000)</u>	<u>4,405,184</u>
Less accumulated depreciation for:				
Land improvements	(16,790)	(4,901)	-	(21,691)
Buildings and improvements	(418,078)	(24,176)	-	(442,254)
Equipment	(143,487)	(39,721)	8,000	(175,208)
Vehicles	(337,581)	(27,471)	-	(365,052)
Roads	<u>(191,928)</u>	<u>(122,369)</u>	<u>-</u>	<u>(314,297)</u>
Subtotal	<u>(1,107,864)</u>	<u>(218,638)</u>	<u>8,000</u>	<u>(1,318,502)</u>
Total capital assets being depreciated, net	<u>2,668,886</u>	<u>417,796</u>	<u>-</u>	<u>3,086,682</u>
Governmental activities capital assets, net	<u>\$ 2,764,686</u>	<u>\$ 417,796</u>	<u>\$ -</u>	<u>\$ 3,182,482</u>

Depreciation expense was charged to functions of the Township as follows:

Governmental activities:	
General government	\$ 25,738
Public safety	46,024
Public works	122,369
Recreation and culture	<u>24,507</u>
Total governmental activities	<u>\$ 218,638</u>

Township of Salem
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - PAYABLES:

Payables as of year end for the government's individual major are as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Payroll</u>	<u>Inter- governmental</u>	<u>Costumer deposits</u>	<u>Total</u>
General	\$ 4,396	\$ 32,336	\$ 7,165	\$ 7,250	\$ 51,147
Roads	<u>-</u>	<u>-</u>	<u>69,720</u>	<u>-</u>	<u>69,720</u>
	<u>\$ 4,396</u>	<u>\$ 32,336</u>	<u>\$ 76,885</u>	<u>\$ 7,250</u>	<u>\$ 120,867</u>

NOTE 7 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured, nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 8 - CONSTRUCTION CODE ACT:

A summary of construction code enforcement transactions for the year ended June 30, 2008, is as follows:

Revenues	\$ 60,042
Expenses	<u>60,117</u>
Deficiency of revenues over expenses	<u>\$ (75)</u>

REQUIRED SUPPLEMENTARY INFORMATION

Township of Salem
BUDGETARY COMPARISON SCHEDULE - General Fund
Year ended June 30, 2008

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 148,400	\$ 148,400	\$ 154,580	\$ 6,180
Licenses and permits	87,900	87,900	86,105	(1,795)
State grants	269,400	269,400	267,713	(1,687)
Charges for services	24,865	24,865	23,275	(1,590)
Interest and rentals	19,100	19,100	29,821	10,721
Other	<u>46,600</u>	<u>46,600</u>	<u>39,904</u>	<u>(6,696)</u>
Total revenues	<u>596,265</u>	<u>596,265</u>	<u>601,398</u>	<u>5,133</u>
EXPENDITURES				
Legislative	<u>6,643</u>	<u>6,643</u>	<u>6,094</u>	<u>549</u>
General government:				
Supervisor	18,465	19,754	19,753	1
Election	5,430	5,430	2,355	3,075
Assessor	13,854	14,298	14,298	-
Clerk	15,559	15,559	15,170	389
Board of review	810	1,030	1,030	-
Treasurer	15,359	15,359	14,972	387
Hall and grounds	28,743	28,743	28,471	272
Cemetery	16,795	16,795	10,926	5,869
Other	<u>63,130</u>	<u>68,165</u>	<u>60,627</u>	<u>7,538</u>
Total general government	<u>178,145</u>	<u>185,133</u>	<u>167,602</u>	<u>17,531</u>
Public safety:				
Police	67,376	67,376	72,066	(4,690)
Fire	65,000	68,139	70,598	(2,459)
Building inspections	<u>60,000</u>	<u>64,800</u>	<u>60,117</u>	<u>4,683</u>
Total public safety	<u>192,376</u>	<u>200,315</u>	<u>202,781</u>	<u>(2,466)</u>
Public works:				
Highways and streets	31,500	31,500	26,422	5,078
Street lights	5,100	5,100	5,358	(258)
Transfer station	18,448	18,448	15,909	2,539
Drains	<u>4,000</u>	<u>4,000</u>	<u>1,751</u>	<u>2,249</u>
Total public works	<u>59,048</u>	<u>59,048</u>	<u>49,440</u>	<u>9,608</u>

Township of Salem

BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)

Year ended June 30, 2008

	<u><i>Original budget</i></u>	<u><i>Amended budget</i></u>	<u><i>Actual</i></u>	<u><i>Variance favorable (unfavorable)</i></u>
EXPENDITURES (Continued)				
Health and welfare - ambulance	<u>\$ 12,500</u>	<u>\$ 12,500</u>	<u>\$ 8,000</u>	<u>\$ 4,500</u>
Community and economic development - community planning and development	<u>20,678</u>	<u>20,678</u>	<u>18,619</u>	<u>2,059</u>
Recreation and culture:				
Library	<u>74,000</u>	<u>74,000</u>	<u>69,855</u>	<u>4,145</u>
Parks and recreation	<u>7,850</u>	<u>7,850</u>	<u>4,890</u>	<u>2,960</u>
Total recreation and culture	<u>81,850</u>	<u>81,850</u>	<u>74,745</u>	<u>7,105</u>
Capital outlay	<u>32,900</u>	<u>32,900</u>	<u>15,357</u>	<u>17,543</u>
Total expenditures	<u>584,140</u>	<u>599,067</u>	<u>542,638</u>	<u>56,429</u>
NET CHANGE IN FUND BALANCES	<u>12,125</u>	<u>(2,802)</u>	<u>58,760</u>	<u>61,562</u>
FUND BALANCES - BEGINNING	<u>214,495</u>	<u>214,495</u>	<u>214,495</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 226,620</u>	<u>\$ 211,693</u>	<u>\$ 273,255</u>	<u>\$ 61,562</u>

Township of Salem
BUDGETARY COMPARISON SCHEDULE - Road Fund
Year ended June 30, 2008

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 626,700	\$ 626,700	\$ 617,633	\$ (9,067)
Interest	<u>18,000</u>	<u>18,000</u>	<u>16,891</u>	<u>(1,109)</u>
Total revenues	644,700	644,700	634,524	(10,176)
EXPENDITURES				
Public works	<u>563,039</u>	<u>563,039</u>	<u>580,030</u>	<u>(16,991)</u>
NET CHANGE IN FUND BALANCES	81,661	81,661	54,494	(27,167)
FUND BALANCES - BEGINNING	<u>517,262</u>	<u>517,262</u>	<u>517,262</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 598,923</u>	<u>\$ 598,923</u>	<u>\$ 571,756</u>	<u>\$ (27,167)</u>

Township of Salem
BUDGETARY COMPARISON SCHEDULE - Fire Fund
Year ended June 30, 2008

	<i><u>Original budget</u></i>	<i><u>Amended budget</u></i>	<i><u>Actual</u></i>	<i><u>Variance favorable (unfavorable)</u></i>
REVENUES				
Taxes	\$ 80,500	\$ 80,500	\$ 81,369	\$ 869
Federal grants	-	-	35,055	35,055
Interest	<u>5,400</u>	<u>5,400</u>	<u>8,964</u>	<u>3,564</u>
Total revenues	<u>85,900</u>	<u>85,900</u>	<u>125,388</u>	<u>39,488</u>
EXPENDITURES				
Public safety	6,000	6,000	8,047	(2,047)
Capital outlay	<u>20,000</u>	<u>20,000</u>	<u>48,925</u>	<u>(28,925)</u>
Total expenditures	<u>26,000</u>	<u>26,000</u>	<u>56,972</u>	<u>(30,972)</u>
NET CHANGE IN FUND BALANCES	59,900	59,900	68,416	8,516
FUND BALANCES - BEGINNING	<u>179,315</u>	<u>179,315</u>	<u>179,315</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 239,215</u>	<u>\$ 239,215</u>	<u>\$ 247,731</u>	<u>\$ 8,516</u>

Township of Salem
BUDGETARY COMPARISON SCHEDULE - Library Fund
Year ended June 30, 2008

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 44,000	\$ 45,000	\$ 43,330	\$ (1,670)
State grants	3,000	3,000	2,276	(724)
Charges for services	4,100	4,400	4,231	(169)
Fines and forfeitures	30,800	31,800	24,876	(6,924)
Interest and rentals	8,000	8,000	5,592	(2,408)
Other	<u>3,850</u>	<u>4,400</u>	<u>2,761</u>	<u>(1,639)</u>
Total revenues	93,750	96,600	83,066	(13,534)
EXPENDITURES				
Recreation and culture	<u>49,950</u>	<u>50,650</u>	<u>39,684</u>	<u>10,966</u>
NET CHANGE IN FUND BALANCES	43,800	45,950	43,382	(2,568)
FUND BALANCES - BEGINNING	<u>134,463</u>	<u>134,463</u>	<u>134,463</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 178,263</u>	<u>\$ 180,413</u>	<u>\$ 177,845</u>	<u>\$ (2,568)</u>

January 7, 2009

To the Board of Trustees
Township of Salem

We have audited the financial statements of the governmental activities and each major fund of the Township of Salem for the year ended June 30, 2008, and have issued our report thereon dated January 7, 2009. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated July 2, 2008, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Township of Salem are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2008. We noted no transactions entered into by Township of Salem during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was capital asset depreciation.

Management's estimate of the capital asset depreciation is based on the estimated useful lives of the Township's capital assets. We evaluated the key factors and assumptions used to develop the capital asset depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Management has recorded all of our proposed audit adjustments.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter associated with the audits for the year ended June 30, 2008.

Other Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township of Salem's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Communication Regarding Internal Control

In planning and performing our audit of the financial statements of the Township of Salem as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Township of Salem's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls and, accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified deficiencies in internal control that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

- The Township has not implemented a system of controls to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to achieve the objectives of recording the capitalization and depreciation of capital assets, and the presentation of financial statement disclosures. This is a recurring comment. The Township has determined that the additional benefits derived from implementing such a system would not outweigh the costs incurred to do so.

This communication is intended solely for the information and use of the Board of Trustees of the Township of Salem and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Sigfried Crandall P.C.